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**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
MINUTES OF MEETING  
Thursday, May 15, 2008**

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A meeting of the Board of Administration was held on Thursday, May 15, 2008, CalPERS Auditorium, Lincoln Plaza North, 400 Q Street, Sacramento, California.

The meeting was called to order at 9:30 a.m. by Board President Rob Feckner.

The Secretary called the roll and the following Board members were present:

Rob Feckner, President  
Marjorie Berte  
Terry McGuire representing John Chiang  
George Diehr  
Greg Beatty representing David Gilb  
Steve Coony representing Bill Lockyer  
Priya Mathur  
Tony Oliveira  
Anne Sheehan  
Kurato Shimada  
Charles Valdes

Excused: Henry Jones  
Lou Moret

**AGENDA ITEM 3 – APPROVAL OF THE APRIL 23, 2008 MEETING MINUTES**

**ON MOTION** by George Diehr, **SECONDED** and **CARRIED**, the Board approved the April Board minutes.

**AGENDA ITEM 4 – CHIEF INVESTMENT OFFICER REPORT**

Anne Stausboll, Interim Chief Investment Officer presented this report to the Board.

The market value of the PERF as of the close of business on Tuesday May 13 was \$247.1 billion. At the end of March, the PERF was valued at \$240.9 billion. At the end of April, the PERF was valued at \$248.4 billion. The return net of fees for May was 3.1%, just over the benchmark.

For the past several months the highest performing asset class has been the inflation-linked asset class, 1.5 percent of the PERF – the return since the inception date has been over 19%.

**AGENDA ITEM 5 – INVESTMENT COMMITTEE**

George Diehr, Chair, Investment Committee, presented the Committee Summary report (attached) to the Board. The Committee met on Monday, May 12, 2008.

Additional information may be found in the May 12, 2008 Agenda materials and/or transcripts of the Committee meeting.

The next Investment Committee meeting is scheduled for June 16, 2008 in Sacramento, California.

## **AGENDA ITEM 6 – BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE**

Kurato Shimada, Chair, Health Benefits Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, May 13, 2008.

Additional information may be found in the May 13, 2008 Agenda materials and/or transcripts of the Committee meeting.

On Motions by the Committee, the Board approved the following:

- 3-A Support, if amended, AB 2023 (Houston), Disability Retirement Determination; 3-B Neutral, AB 2156 (Hernandez), Special Death Benefits; 3-C Support, if amended, AB 2838 (Duvall), Service Credit Purchases for Approved Absences Caused by Serious Illness; 3-D Neutral, if amended, AB 2940 (Deleon), California Employee Savings Program; 3-E Support, SB 1601 (Negrete McLeod), State Annuitant Benefits; 3-F Support, SB 1611 (Negrete McLeod), California State University Academic Employees.
- Adoption of the employer contribution rates as presented in the BPAC agenda item for the State and Schools for the period of July 1, 2008 to June 30, 2009.
- 2006/07 State Employers' Industrial Disability Cost Report and move for adoption by the Board with the instructions to file this report with the Governor and the Legislature.
- June 30, 2007 Actuarial Valuation Report for the Public Agencies first, second, third, fourth, and indexed levels and for the State and Schools fifth level, and the adoption of the employer and employee monthly premiums for fiscal year 08/09.

The next Benefits and Program Administration Committee meeting is scheduled for June 17, 2008 in Sacramento, California.

## **AGENDA ITEM 7 – HEALTH BENEFITS COMMITTEE**

Priya Mathur, Chair, Health Benefits Committee, presented the Committee Summary report to the Board. The Committee met on Wednesday, May 14, 2008.

Additional information may be found in the May 14, 2008 Agenda materials and/or transcripts of the Committee meeting.

On Motions by the Committee, the Board approved the following:

- Support, if amended, position on AB 1997 – CalPERS Annuitant Vision Care. The bill should be amended to: 1) clarify the Board's investment and administrative authority over the CalPERS Annuitant Vision Care Program fund; 2) require an appropriation/funding source to cover start-up costs; and, 3) allow for a programmed implementation date. Greg Beatty abstained.
- Oppose, unless amended, position on AB 2158 – blood borne or airborne diseases. This bill should be amended to place this legislation in an appropriate Labor Code section rather than impacting PEMHCA.

- Extend the Medco Pharmacy Benefits Manager contract to 18 months based on negotiated contract terms.
- 2009 State rates for the self-funded health plans as set forth in Attachment 1 (no increase, no impact).

The next Health Benefits Committee meeting is scheduled for June 18, 2008 in Sacramento, California.

## **AGENDA ITEM 8 – FINANCE COMMITTEE**

No report was given.

## **AGENDA ITEM 9 – PERFORMANCE AND COMPENSATION COMMITTEE**

Priya Mathur, Chair, Performance and Compensation Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, May 13, 2008.

Additional information may be found in the May 13, 2008 Agenda materials and/or transcripts of the Committee meeting.

- Third Quarter Status Reports on the Performance Plans of the Chief Executive Officer, Chief Actuary, General Counsel, Chief Investment Officer, and her Direct Reporting Staff, including the change in the performance plans of the Chief Actuary and General Counsel.
- 2007-08 performance plan for the recently appointed Portfolio Manager.
- Methodology and salary ranges as presented under Alternate Option 2 of the report for the Chief Executive Officer, Chief Actuary, General Counsel and Investment Management positions. *Steve Coony's remarks: Just as a point of clarification, it's my understanding that as far as the Governor's budget is concerned that the lion's share of employees who work for us will not see a compensation increase this year unless they are able to achieve something through collective bargaining. And I think it's important at least as far as non-investment staff managers are concerned, our top executives that – I believe it's the sense of other Board Members, but certainly as far as the Treasurer's Office is concerned that while we have no argument with the methodology or the survey results that we would not want to support an implementation for any particular incumbent until we know what happens for the rank and file employees who work for us. So I don't think any such actions are immediately up-coming, but we would not support an increase until the employees have one as well.*
- Executive Compensation Policy revisions as recommended by staff.
- Changes to the Annual Performance Review Process for the Chief Executive Officer, Chief Investment Officer, Chief Actuary and General Counsel.

The next Performance and Compensation Committee meeting is scheduled for June 17, 2008 in Sacramento, California.

## **AGENDA ITEM 10 – BOARD MEETING CALENDAR**

Ken Marzion, Interim Chief Executive Officer, reported no changes.

## **AGENDA ITEM 11 – CHIEF EXECUTIVE OFFICER’S REPORT**

Ken Marzion gave updates on the following:

- CalPERS Diversity Outreach Program
- OPEB
- March of Dimes Walk
- Susan B. Komen Race for the Cure
- SCORE Reception

Ken Marzion acknowledged Pat Macht and the Office of Public Affairs for receiving multiple awards from the California State Information Officers Council.

## **AGENDA ITEM 12 – BOARD’S STATE LEGISLATIVE PROGRAM/BOARD’S POSITION ON STATE LEGISLATION**

Wendy Notsinneh, Chief, Governmental Affairs gave an update on the legislative bills for 2008.

## **AGENDA ITEM 13 – BOARD’S FEDERAL LEGISLATIVE PROGRAM/BOARD’S POSITION ON FEDERAL LEGISLATION**

Tom Lussier, CalPERS Federal Legislative Liaison gave updates on the following.

- Testimony from Dennis Johnson regarding the sovereign wealth fund issue
- Kennedy – Enzi HIT Bill
- Pension Protection Act

## **AGENDA ITEM 14 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES**

**ON MOTION** by George Diehr, **SECONDED** and **CARRIED**, the Board adopted staff’s recommendation on items 14A B, C, D, E, and F. Marjorie Berte abstained on Items 14B and 14D.

**ON MOTION** by George Diehr, **SECONDED** and **CARRIED**, the Board agreed to bring back Item 14G for consideration at the June meeting.

## **AGENDA ITEM 16 – GENERAL COUNSEL’S REPORT**

No new cases to report.

## **AGENDA ITEM 17 – BOARD TRAVEL APPROVALS**

**ON MOTION** by George Diehr, **SECONDED** and **CARRIED**, the Board approved the travel requests.

## **AGENDA ITEM 18 – DRAFT AGENDA**

None

## **AGENDA ITEM 19 – NEW BUSINESS AGENDA SETTING**

None

## **AGENDA ITEM 20 – PUBLIC COMMENT**

Mr. Lou Ohls spoke on behalf of the retired members of the California Correctional Peace Officers Association regarding AB 2940.

## **AGENDA ITEM 15 – FULL HEARING – GALT SERVICES AUTHORITY**

**ON MOTION** by George Diehr, **SECONDED** and **CARRIED** the Board adopted the proposed Administrative Law Judge decision as its own and that the decision not be precedential.

There being nothing further to come before the Board of Administration, the meeting adjourned at 11:48 a.m.

Attachment